

# Fraud Awareness Newsletter

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**Courtesy of the  
Department of Defense  
Office of the Inspector General  
Defense Criminal Investigative Service  
Central Field Office**



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## **Prosecutions Health Care**

An indictment was returned against Dr. Kristopher K. Wendler, a psychiatrist practicing in the Kansas City metropolitan area, charging him with 23 counts of mail fraud relating to the submission of false and fraudulent claims to Government-funded insurance programs. From 1991 through 1996, Wendler operated psychiatric practices in Overland Park, KS, and Kansas City, KS, and practiced in Kansas City, MO, without a license. During this time, Wendler allegedly billed Government-funded insurance programs for services not rendered or misrepresented the services actually provided to patients, resulting in Wendler being overpaid. Those insurance programs included the Civilian Health and Medical Pro-

gram of the Uniformed Services (CHAMPUS), Medicare and Medicaid. Special Agent Troy Bird, Kansas City Resident Agency (RA), is conducting the investigation with the Federal Bureau of Investigation (FBI).

## **Vehicle Parts**

A 10-count indictment was returned against Harley R. and Marguerite Braden, owners, Ayeone Machine and Grinding Company (Ayeone), Las Vegas, NV. The Bradens are charged with conspiracy, false statements, wire fraud and aiding and abetting. The defendants allegedly made false representations in the administration of DoD contracts awarded to Ayeone for procurement of Government vehicle parts. Those contracts are valued in excess of \$100,000. Special Agent Lance Stamper, Salt Lake City RA, is conducting the investigation with the U.S. Army Criminal Investigation Command.

## **Benefit Fraud**

A 25-count indictment was returned in U.S. District Court, Los Angeles, CA, against Sonya R. Fernandez charging her with theft, embezzlement and submitting false statements to the Government. Fernandez, the adopted daughter of U.S. Navy veteran Luciana Garcia, failed to notify the DoD of Garcia's death in 1987. From 1987 to early

1997, Fernandez received and converted for her use over \$97,000 in retirement benefits for Garcia. The funds were electronically deposited by the Defense Finance and Accounting Service (DFAS) into an account held jointly by Fernandez and Garcia. During this same period, the Social Security Administration (SSA) continued to electronically deposit monthly retirement funds into Garcia's same bank account. Those funds, totaling over \$91,000, were also converted by Fernandez for her own use. In addition, Fernandez failed to declare the DFAS and SSA incomes on numerous income declarations submitted to Federal and local welfare agencies. As a result, Fernandez further received over \$81,000 in Federal housing subsidies during the same 10-year period. Special Agent Michael Blackburn, Western Field Office, is conducting the investigation with the SSA.

## **Kickbacks**

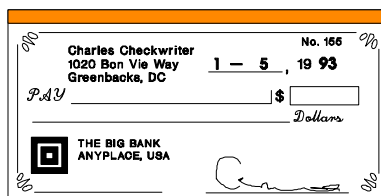
A one-count information was filed against Richard Doherty, Queens, NY, former purchasing manager for Israel Aircraft Industries International (IAII), New York, NY, charging him with conspiracy to commit corporate income tax evasion and pay kickbacks. In a related case, a two-count information was filed charging Milton Eugene Beresford, Farmingdale, NY, a purchasing agent for IAII, with receipt of kickbacks and income tax evasion. Doherty, allegedly conspired with Robert Berger,

former president of Royce Aerospace Materials Corporation (Royce), a former supplier to DoD prime contractors. Between 1991 and 1994, bookkeepers at Royce issued checks made payable to fictitious company names provided to Royce by Doherty, who had since retired from IAII. The checks, totaling \$283,000, were then given to Doherty to be cashed. Doherty took the checks to Puerto Rico for cashing, then gave the cash to Berger, minus a fee for his services. Berger used the cash to pay kickbacks to purchasing agents at IAII and other DoD prime and subcontractors. The amounts of the fictitious checks were then taken as deductions on Royce's corporate tax returns. From 1991 to 1994, Beresford allegedly received about \$57,000 in cash kickbacks from Royce. In return, Beresford provided Royce with bidding information that allowed Royce to be the lowest bidder on IAII subcontract awards. As with Doherty, Beresford did not report the additional income on his tax returns. Special Agent Stephanie Jimroglou, New York RA, is conducting the investigations with the Internal Revenue Service (IRS).

### **Theft of Surplus**

An information was filed against Gary Kwok Quon Yuen, reserve police officer, Honolulu Police Department (HPD), Honolulu, HI, charging him with one count of conspiracy to commit theft of Defense Reutilization and Marketing Office (DRMO) Hawaii property. At a subse-

quent date, Yuen pled guilty to the charge. Between February 1995 and March 1997, Yuen conspired to divert property having an estimated acquisition value of \$79,000 from the DRMO. By using his position with the HPD, Yuen obtained transferred property that he then diverted for his personal use and the personal use of several relatives, friends, acquaintances and HPD police officers. Special Agent Wade Muraoka, Hawaii Post of Duty (POD), conducted the investigation jointly with the FBI and the IRS.



### **Forged Checks**

Elena Rodriguez pled guilty to one count each of embezzlement and conspiracy to commit embezzlement. From August 1993 to April 1996, Elena Rodriguez conspired to defraud the Lockheed Martin Services Group (LMSG), Albuquerque, NM. The conspiracy included forging checks for fictitious materials made payable to two companies owned by her husband Mychael Rodriguez and altering LMSG documents to conceal the embezzled funds. The forged checks were then deposited into personal and business accounts in the names of Elena and Mychael Rodriguez. The subcontract impacted by the transactions was awarded to LMSG to provide engineering and test support for the

prime contractor under a contract awarded by the Defense Evaluation Support Activity, Kirtland Air Force Base, NM. The misappropriated funds totaled \$267,694. Special Agent Jeffery Fauver, Albuquerque POD, conducted the investigation with the Albuquerque Police Department, White Collar Crimes Division.

### **Electronic Parts**

Electronic Parts Inventory Corporation (EPIC) and Zahid Chaudry, president and primary stockholder of EPIC, each pled guilty to one count of conspiracy to commit mail fraud. From 1990 through 1993, Chaudry and EPIC fraudulently obtained money through the U.S. mail for the sale of nonspecification electrical connectors under DoD contracts and subcontracts. An investigation determined the connectors sold by Chaudry and EPIC did not meet specification, had obliterated manufacturer markings, were falsely labeled and were packaged to appear to meet the required specifications. Special Agent Bret Flinn, Dayton RA, conducted the investigation with the FBI.

### **Sentences Fuel Fraud**

Thomas R. Moore, the former owner and operator of Moore's & Son, Incorporated, Chesapeake, VA, was sentenced to 60 days home confinement, 3 years probation and a \$50 special assessment for marketing off-specification used oil as fuel, in violation of Environmental Protection Agency (EPA) regulations. Moore was also ordered to participate in a drug rehabili-

tation program, submit to a mental evaluation, submit to drug testing on completion of home confinement and restricted from operating a motor vehicle and from participating in the oil business during his probation.

Moore's activities were discovered during an investigation into the sale, delivery and disposal of fuel oil in connection with Government contracts at DoD installations and commercial shipyards in the Tidewater, VA area. Moore, by agreement with an area tank cleaning company manager, removed oil from tanks at a shipyard where that company was working. The oil was then mixed with used motor oil collected from Moore's normal suppliers and delivered to a local company that burned the oil in a furnace used to process sandblast aggregate. Moore split the proceeds from such sales with the tank cleaning manager. From April 1995 through March 1996, Moore sold at least 25 loads of the off-specification used oil as fuel and falsely stated on delivery tickets that the fuel oil was "on spec," knowing the purchasing company did not have an EPA identification number to lawfully burn the used oil. The loads amounted to over 52,000 gallons for which Moore received \$13,000. Special Agent Henry J. Myers, Jr., Norfolk RA, conducted the investigation with the Naval Criminal Investigative Service.

### **Environmental Crime**

David Kopea, Macedonia, OH, was sentenced to 1 year probation, with 6 months home con-

finement, a \$5,000 fine and a \$100 special assessment for violating the Clean Water Act. Kopea, as president of K.B. Plating Company (KB), Cleveland, OH, illegally disposed of electroplating wastes, such as hydrochloric acid and chromium, on a weekly basis, into the sanitary sewer system. KB is a plating subcontractor to DoD prime contractors PDI Ground Support Systems, Cleveland, OH, Lakewood Manufacturing Company, Westlake, OH, and General Nuclear Corporation, New Stanton, PA. Special Agent Thomas E. Trela, Cleveland RA, conducted the investigation with the EPA and other members of the Northern Ohio Environmental Crimes Task Force.

### **Health Care**

James Dale Barnes, former owner of Central Professional Nursing Services, Incorporated (PNS), was sentenced to 1 year and 9 months confinement for one count of conspiracy to commit Medicare fraud and three counts of Medicare fraud. The now defunct PNS was a Medicare, Medicaid and CHAMPUS provider. The PNS provided in-residence health care and personal care services for homebound persons. From October 1991 to August 1994, Barnes defrauded the Government by falsifying documents and files for periodic review of performance and evaluation of PNS' eligibility to participate in Medicare. Barnes intentionally failed to furnish accurate cost information to support PNS' receipt of interim Medicare payments and

directed PNS employees to create false expense receipts and false records of PNS committee and board meetings. Special Agent Linda Hanley, Central FO, conducted the investigation with the FBI, the Department of Health and Human Services, the Medicaid Investigation Unit of the Missouri Department of Social Services Division of Legal Services and the Missouri Department of Health.



### **Fuel Theft**

Armen Lousinian was sentenced in U.S. District Court, Los Angeles, CA, to 6 months home detention, 3 years probation, \$26,910 restitution to the California Board of Equalization and a \$50 special assessment for mail fraud. Lousinian was a member of the "Mikaelian Organization" named for its leader, Hovsep Mikaelian. Mikaelian and other members of his group were involved in the fraudulent obtaining, theft and sale of \$8 million of fuel during a 3-month period. An undetermined portion of the stolen/fraudulently obtained fuel was from the Defense Fuel Supply Center, San Pedro, CA. Lousinian was the owner and operator of a truck stop/service station through which the stolen fuel was sold to the public. Special Agent Robert Koger, El Segundo RA, conducted the investigation with the FBI, the IRS, the Police Departments of Los Angeles and Long Beach, CA, and the California Department of Justice.



*To report suspected fraud involving to Department of Defense or to comment on this newsletter please contact the nearest Defense Criminal Investigative Service office. The addresses and telephone numbers of the offices that are part of the Central Field Office are listed below.*

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